GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:5
ANSWERED ON:01.03.2005
TRADE DEFICIT
Chinta Mohan Dr. ;Suman Shri Ramji Lal

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether trade deficit has been progressively increasing as a result of rising imports during the current financial year;

(b) if so, the reasons therefor and the quantum/value of exports/imports transactions carried out till date;

(c) whether measures have been taken to balance the trade and the sources through which the Government propose to meet this trade deficit;

(d) if so, the details thereof;

(e) whether the Government contemplate any scheme to promote indigeneous industries in the importing sectors; and

(f) if so, the details thereof?

Answer

THE MINISTER OF COMMERCE AND INDUSTRY (SHRI KAMAL NATH)

(a): The merchandise trade deficit during the current financial year, 2004-05, (April-January) was US$ 22.7 billion compared to US$ 13.5 billion in the comparable period last year.

(b) to (f): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (b) TO (f) OF LOK SABHA STARRED QUESTION NO.5 FOR ANSWER ON 1.3.2005 REGARDING TRADE DEFICIT

(b) The primary reason for increase in merchandise trade deficit during the current financial year was the increased price of oil, with oil imports registering a growth of 40%. A concomitant reason is the impressive growth in the economy, particularly in the manufacturing and the export sector. According to the advance estimates of the CSO, the Indian economy is expected to grow by 6.9% during 2004-05. The manufacturing sector grew by 8.9% (April-November, 2004-05) and the exports sector recorded a growth of 25.6% (April-January, 2004-05). Consequently, exports crossed the US$ 60 billion mark during the first 10 months of the financial year. Economic growth entails a rising demand for raw materials and intermediate products for the manufacturing sector.

(c) & (d) There are no measures to restrict imports or to artificially balance trade that may lead to dampening of the growth of the economy or lead to resurgence of inflationary pressures. A significant strategy is to boost exports to the maximum. The Foreign Trade Policy announced in August, 2004 aim to double India`s percentage share of global trade by 2009. As a consequence of our efforts, we have experienced a growth of 25.6% in our exports so far in the current year.

(e) & (f) The Foreign Trade Policy also aims to make trade an effective instrument of economic growth and employment generation. This objective is proposed to be achieved by focused strategies which include, inter alia, unshackling of controls and creating an atmosphere of trust and transparency to unleash the innate entrepreneurship of the businessmen, industrialists and traders. It is expected that such measures and strategies should promote indigenous industries in competitive sectors including importing sectors.